

PRELIMINARY SURVEY – MISSION ANALYSIS

OBJECTIVE: To Develop An Audit Program That Addresses The Areas Of Greatest Risk, Or Opportunities To Improve the Efficiency and Effectiveness of Services and Programs

B-1 OBJECTIVE: To gather historical, organizational and financial information that will help to familiarize the auditor regarding the audit subject, provide the background data for the audit report, and facilitate subsequent risk assessment and testing procedures.

B-1.1 Obtain copies of any departmental brochures, public relations literature, press releases, etc. that will provide some background information regarding the program or activity being audited.

B-1.2 Interview program management to obtain additional background information regarding the program or activity being audited including:

- Intended benefits;
- History (e.g. changes in organization or objectives);
- Accomplishments;
- Current objectives;
- Workload, peak periods and backlog;
- Known problems or obstacles.

B-1.3 Obtain or draw a chart of organization for the program or activity being audited. Identify the key program staff and describe their responsibilities for administering or monitoring the program or activity being audited. Identify the key divisions, their staffing, and their principal responsibilities. Identify key program locations and their functions.

B-1.4 On a section by section basis interview staff, walk-through and/or observe Department processes/activities to become familiar with (1) how programs operate and (2) the Department's data systems.

B-1.5 Flowchart or describe departmental procedures affecting the program or activity being audited. Obtain a copy of relevant written procedures.

B-1.6 Identify relevant forms, files and management reports. Review the contents, organization and purpose of files. Determine numbers of records, retention policy, and organization of records which might be tested later, and determine availability of control logs, indexes, etc., that can be used for summary data and/or for sample selection. Obtain samples of forms and files if appropriate. Obtain samples of internal reports (e.g. weekly, monthly activity reports) and external reports (e.g. annual reports).

B-1.7 Determine whether computer-processed data are an important or integral part of the program or activity being audited. See Procedure No. [5-08](#) for audit guidelines in reviewing computer systems. Obtain a copy of relevant written procedures. Obtain copies of input forms, file layouts and names, copies of reports or printouts. Obtain a copy of the most recent annual Department EDP Contingency Plan as submitted to the Information Technology Department. Evaluate the contingency plan using the criteria outlined in Procedure No. [5-08-1](#).

B-1.8 Within each division, determine the reports that management receives concerning:

- Workload;
- Use of major program resources (including budget, people and equipment);
- Achievement of program objectives.
- Citizen complaints and requests for service.

B-1.9 From the City's Financial Management System (FMS) or other sources, obtain information regarding the program's revenues and expenditures for the past three fiscal years. Review the analysis of expenditure and revenue performance in the **Annual Report** prepared by the City Manager's Office.

B-1.10 Obtain copies of budget documents for the past three to five years. Identify the program's source of funds and restrictions on the use of those funds, identify the principal cost elements, identify the principal physical assets used in carrying out the program or activity (determine their location and ownership), and identify revenues or reimbursements collected in conjunction with the program or activity. Review budget justifications; note reasons for any budget cuts or augmentations affecting the program or activity being audited.

B-1.11 Review the Department IIR Business Plan for the past three to five years and note any changes. Review Department's Strategic Goals, Objectives, and Performance Measures. Consider whether the measures are appropriate to indicate accomplishment of the mission. Review Department core services and special projects outlined in the Annual City Administration Work Plan. Consider whether the special projects contribute toward the improvement of Department performance.

B-1.12 Gather statistical information on program performance to assist in the Risk Assessment phase of the audit (e.g. audit universe, numbers of items processed, dollar values of items processed, etc.).

B-1.13 Review recent Council or Advisory Commission activity on the program being audited. If available, conduct a key word search on the City Clerk's database of meeting agendas, synopses, and minutes to determine which recent meetings have addressed issues related to your audit topic. As appropriate, obtain and review copies of minutes and/or tape recordings of pertinent Council, Committee or Commission meetings.

B-1.14 Review prior audit reports and workpapers from our Office as well as management letters from the City's outside auditors for relevant criteria and also for indications of prior problems. Determine if other auditors have previously done, or are doing, audits of the program or the entity that operates it. If auditors intend to rely on the work of other auditors, or the work of nonauditors, they should perform procedures that provide a sufficient basis for that reliance.

B-2 OBJECTIVE: To identify the laws, regulations, and authoritative standards that should be tested for compliance.

B-2.1 Review City Charter and Municipal Code sections relevant to the program or activity being audited. Determine the legal authority for the audited organization, program, activity, or function.

B-2.2 Identify laws and regulations applicable to the program or activity being audited. Interview or write a memo to the City Attorney to obtain assistance in identifying federal, state and local laws and regulations, including Council ordinances. Conduct a key word search on the City Clerk's database to obtain copies of significant Council ordinances and resolutions relevant to the program. Refer to Procedure No. 5-03-06A, Compliance Review Guidelines, and prepare a Compliance Checksheet if necessary.

B-2.3 If the program involves a City contract, obtain and review an executed copy of the contract. Find out how the contractor was selected (competitive bidding or negotiated). Obtain background information regarding the contractor. Describe the contract history, including for example, the current and past contractors and key provisions of current and past contracts.

B-2.4 Review City Auditor and/or public library materials for background information on the program or activity being audited. Identify authoritative standards and practices.

B-2.5 Find out from the program management and from other sources if there is an industry association relevant to the program or activity being audited. If so, contact the association and find out if authoritative standards exist. If possible, obtain a copy of their materials describing the authoritative standards and practices.

B-2.6 Contact other jurisdictions and audit organizations about similar programs or activities. Find out from other jurisdictions about their practices in administering and conducting similar programs or activities so that their practices may be contrasted against San Jose's.

B-2.7 Obtain audit reports and/or audit programs from other audit organizations regarding the audit topic. (Use reference sources such as NALGA's *Local Government Auditor's Newsletter* or GAO's *Reports And Testimony*.)

B-3 OBJECTIVE: To define the audit scope, objectives, and methodology.

B-3.1 Prepare a Preliminary Survey Memorandum, including:

- Information about the legal authority for the audited organization, program, activity, or function;
- A brief history or profile of the program, including the current mission statement and objectives;
- A summary of important facts, key personnel, contracts, facilities, locations, computer systems or databases, processes, and related laws and regulations; and a definition of terms.

Upon completion, file the Preliminary Survey Memorandum at A-2.2

B-3.2 Hold a mission analysis conference with the City Auditor to identify audit objectives and issues for risk assessment. Reassess the statement of the assignment objective, audit scope, and methodology as necessary.

Upon completion file the results of mission analysis at A-2.3.

B-3.3 If appropriate, Prepare preliminary Finding Development Sheets. Submit all new Finding Development Sheets to the City Auditor with the APR according to the established biweekly schedule. At the next biweekly meeting, discuss the preliminary findings, or the lack thereof, with the City Auditor to assess whether to revise or expand audit scope, or to drop the audit.

B-3.4 Determine the need for an in-house specialist to provide technical assistance in specialized areas. Determine the need to employ a private consultant or consulting firm.

B-3.5 Complete numbering, labeling, and cross-indexing of workpapers, APR, indexes, and other audit documents. **File the complete Preliminary Survey APR at A-2.1.**

B-3.6 Schedule In-Charge Review of workpapers and APR files. Respond to reviewer's notes as necessary.

B-3.7 Schedule Supervising Auditor Review of workpapers and APR files. Respond to reviewer's notes as necessary.